

## ASSEMBLY FINANCE COMMITTEE MINUTES

August 2, 2023, at 6:00 PM

Assembly Chambers/Zoom Webinar



<https://juneau.zoom.us/j/93917915176> or 1-253-215-8782 Webinar ID: 939 1791 5176

### A. CALL TO ORDER

The meeting was called to order at 6:08 pm by Chair Woll.

### B. ROLL CALL

Committee Members Present: Mayor Beth Weldon; Chair Christine Woll; Maria Gladziszewski; Michelle Hale; Greg Smith; Loren Jones; Alicia Hughes-Skandijs; Wade Bryson

Committee Member Absent: Wáahlaal Gíidaak

Staff Members Present: Rorie Watt, City Manager; Robert Barr, Deputy City Manager; Angie Flick, Finance Director; Adrien Speegle, Budget Manager

### C. APPROVAL OF MINUTES

#### 1. June 7, 2023

The June 7, 2023 minutes were approved as presented.

### D. AGENDA TOPICS

#### 2. Assembly Grant Process

Angie Flick, Finance Director, introduced the memo found on page 5 of the packet, which provides a set of options for the discussion of the Assembly Community Grant process in preparation of the upcoming budget cycle. Ms. Flick stated that the options that are listed are not the only options available to the Committee, however, staff have provided options to facilitate Committee discussion on this topic. She further stressed that staff recommends removing certain grants that are awarded every year to partner organizations from a competitive process to streamline the competitive Community Grant funding determination.

Ms. Flick presented to the Committee the first option of creating a pre-budget process whereby staff would solicit grant applications in the same time frame and manner as the Marine Passenger Fee process, which starts on December 1<sup>st</sup>. This would allow for a more robust public comment period and provide staff time to include these potential grant awards in the manager's proposed budget.

Ms. Flick presented to the Committee the second option of creating a post-budget process whereby the Committee would determine a set amount of funding available for competitive grants. In this scenario, grant applications would take place after the adoption of the budget and the competitive process would take place starting in July.

Ms. Flick stated that the final option in her memo would be to keep the process as it is.

Ms. Flick answered Committee questions.

Mayor Weldon asked how adopting one of these options would affect the creation of the manager's proposed budget, which currently includes an expected amount the Committee will award for certain Community Grants. Ms. Flick stated that currently, the proposed manager's budget that is presented at the start of the budget cycle includes an amount that will be awarded to specific grantees and that staff uses previous grant award metrics to determine this amount in the proposed budget. If the Committee decides to adopt one of the options presented, then staff would include projected figures for non-competitive grants in the proposed budget and any additional grant funding would take place through a competitive process.

Assemblymember Hale asked what the process would look like if a pre-budget process is adopted, for organizations to need to adapt their funding request. She stated that her concern is that many organizations have in the past changed their funding requests in response to Committee feedback and this has always taken place over the budget cycle process.

Ms. Flick stated that under a pre-budget process, every organization would have the opportunity to alter their funding request and work with the Committee to adjust their request. She further stated that the benefit of having this process take place over a long period is that it allows community organizations to have a longer period to review their request and make alterations.

Assemblymember Bryson stated that he would like to have a way to receive the full list of those applying for competitive grants at the start of the budget cycle and that one challenge he saw in this past year's process was not having the full list to take into consideration. Ms. Flick clarified that adopting a new competitive process for grant applications would enable the Committee to have all grant applications in front of them earlier in the process.

Assemblymember Gladyszewski asked for clarification on determining grant funding amounts in the manager's proposed budget between the current process and if the Committee adopts one of the options presented.

Rorie Watt, City Manager, stated that the process for the staff amount determination would not change greatly, however, it would allow for greater separation of the grant funding that is given year after year to partner organizations and which is given through a truly competitive process.

Assemblymember Jones stated that no matter what process change is adopted by the Committee, it should include a dollar figure of some kind for the total amount that the Committee can award in Community Grants. He further stressed that more concrete rules for awarding Community Grants would help accomplish Committee objectives.

Assemblymember Smith stated that he would also like to see a standardized list of requirements from each organization applying for grants. He further stated that he supports having a process to review grants prior to the budget process and feels that it would help community organizations in making their requests.

Ms. Flick clarified for the Committee that in adopting a new process for grant awards, the members of the Committee can still bring forth requests for funding at any time, however, having a more concrete process will still be beneficial.

**Motion:** by Assemblymember Gladziszewski to direct staff to explore the option of the pre-budget process taking into consideration the Committee's concerns and comments, and bring back a more fleshed-out process, with consideration of the grantees the Assembly would want to exclude from a competitive process.

**Objection:** by Assemblymember Hughes-Skandijs for the purpose of stating that she would also like to hear about the option presented of having a post-budget process explored. She further stated that she supports the idea of having a fixed amount of funding for competitive grants and that it would aid in running grant requests against a fixed amount available.

Assemblymember Hughes-Skandijs removed her objection.

**Objection:** by Assemblymember Smith for the purpose of asking if solicitation for grant requests was made in previous years.

Mr. Watt responded by stating that no solicitation was done and that many grant requests came from community members contacting Committee members directly and no clear path was laid out for this process.

**Amendment:** by Assemblymember Smith to require applicants to show how their funding requests meet Assembly goals.

**Objection:** by Mayor Weldon and Chair Woll. Mayor Weldon stated that not all Community Grants that are awarded are specifically related to Assembly goals.

Assemblymember Smith withdrew his Amendment.

**Objection to Original Motion:** by Assemblymember Hale for the purpose of stating that notices should be sent to grant applicants before the next Committee meeting, notifying them that the grant process could be changing in the future, and providing them an opportunity to submit feedback.

**Objection to Original Motion:** by Mayor Weldon for the purpose of stating that whatever process change is adopted, it should include a format for all requestors, competitive and non-competitive to be heard by the Committee.

Mayor Weldon and Assemblymember Hale removed their objections.

Motion passed by unanimous consent.

### **3. Hotel Bed Tax Allocation**

Ms. Flick presented the memo found on page 7 of the packet, which lays the groundwork for Committee discussion on the allocation of the 9% hotel-bed tax revenue. The Assembly has a resolution that directs 9% of the initial allocation of the tax revenues towards Tourism Promotion (4%), Centennial Hall Operations (3%), and Centennial Hall Improvements (2%); however, in the FY2024 budget, the Assembly funded these three categories at the level of support needed rather than at the percentages prescribed.

Ms. Flick further reviewed the memo found on page 8 of the packet from Jeff Rogers, previous Finance Director, dated September 7, 2022 which provides several options for discussion of the hotel-bed tax allocation as it relates to short-term rentals and the Affordable Housing Fund. She stated that these

options were created to address the Committee's goal of having increased contributions to the Affordable Housing Fund.

Ms. Flick stated that the first option is to maintain the status quo and leave the hotel-bed tax allocation as it is in the current resolution. She reviewed the second option in the memo which is to designate all hotel-bed tax revenue generated from short-term rentals in Juneau to the Affordable Housing Fund. This option would create a direct relationship between the amount of revenue received from short-term rentals and providing funds to address the issue of affordable housing in Juneau.

Ms. Flick reviewed the third option to redesign the historic split for hotel-bed tax revenue in recognition of the impact of short-term rentals. The effect of this would be to allocate a portion of the hotel-bed tax revenue toward the Affordable Housing Fund directly by reducing the allocation percentages to other hotel-bed tax funded organizations.

Ms. Flick reviewed the fourth option listed in the memo of moving away from a formulaic split of the hotel-bed tax revenue completely and for the Committee to provide the City Manager with a set of priorities to allocate this revenue to prior to the budget process.

Assemblymember Jones asked for clarification on when the additional 2% tax, which increased the total hotel-bed tax from 7% to 9%, is set to expire. He further stated that any discussion on reallocation should include an understanding of the 2% that was added. Ms. Flick clarified the additional 2% terms on January 1, 2035, at which point the total hotel-bed tax will change from 9% to 7%.

Assemblymember Smith asked what the historical deviation of the current hotel-bed tax allocation amount is and the stated needs for organizations funded by this tax.

Adrien Speegle, Budget Manager, clarified that in FY21 and FY22, the hotel-bed tax allocations were lower than the percentages in the resolution due to depressed hotel-bed tax revenue resulting from the pandemic. She further stated that in this most recent budget cycle, the funding needs of the organizations funded by hotel-bed tax revenue were not as great as the percentages allocated to them in the current resolution in terms of dollar figures.

In response to Assemblymember Smith's question, Ms. Speegle stated that during December or January, CBJ's Finance Director reviews hotel-bed tax revenue forecasts with Liz Perry, Travel Juneau's Executive Director, as a basis for building Travel Juneau's budget for the upcoming fiscal year. Revenue forecasts may be revised closer to the budget process as CBJ staff obtain updated tax remittance data, sometimes resulting in a higher or lower revenue forecast than was used to build Travel Juneau's budget.

Robert Barr, Deputy City Manager, further responded to Committee questions on hotel-bed tax allocations to Centennial Hall operations, stating that the contract for Juneau Arts & Humanities Council (JAHc) to manage Centennial Hall is funded through a 3% allocation of hotel-bed tax, which has in recent fiscal years exceeded the stated funding needs for its operations.

Mayor Weldon asked whether having a percentage allocation or a dollar figure allocation for organizations funded by hotel-bed tax revenue is more stable and therefore beneficial for the budget challenges of these organizations. Ms. Flick clarified for the Committee that maintaining an expectation of consistent funding amounts is easier on organizations.

Assemblymember Jones stated that because many hotels in Juneau are full during the summer, he is concerned about stagnation in the operational funding for organizations funded by hotel-bed tax

revenue, such as Travel Juneau. He further stated that setting a more dynamic allocation method such as putting a minimum percentage allocation with the potential for a maximum for each organization would lead to a more appropriate allocation of organizations.

Assemblymember Gladyszewski stated that the hotel-bed tax allocation resolution should be revisited and would like to see organizations funded by hotel-bed tax revenue prepare annual budgets for review and approval, similar to other operations within the CBJ that are up for approval every year. She further stated that the current resolution for the allocation of hotel-bed tax revenue should be revisited to meet the stated funding needs of organizations more accurately.

Assemblymember Bryson expressed concerns for potential reductions to the funding allocation to organizations that successfully market Juneau as a tourism destination.

Assemblymember Hale stated that it would be beneficial to center the conversation on adapting the hotel-bed tax allocations around actual dollar amounts, and how that compares to the percentages of allocation in the current resolution. She further stated that having this perspective would lead to a better view of the issue.

**Motion: by Mayor Weldon to ask Ms. Flick to present options 2, 3, and 4 in the memo with dollar figure estimates to the Committee for further discussion.**

**Motion passed by unanimous consent.**

#### **4. Info Only: FY22 Final Audit Report**

Ms. Flick introduced the FY22 Final Audit Report found on pages 9-67 of the packet.

Assemblymember Jones asked what the status is on implementing the plan for corrective action found in the audit report.

Ms. Flick responded by stating that actions are being taken to make the recommended corrections and stated that recent high turnover in the Finance Department led to many delays in the last fiscal year's audit, however, staff is making headway. Ms. Flick further stated that many issues faced in FY2022's financial reporting and audit that resulted in delays are being addressed. Staff are undergoing a series of trainings on the recent change in GASB reporting of leases and the upcoming change in subscription reporting in FY23, to be able to better meet these changes in standards.

Ms. Flick clarified that finance staff are working under hard deadlines to address the corrective action recommended in the FY22 audit report and she expects to have a much smoother creation of financial reports and audit for FY23.

Ms. Flick clarified for the Committee that the contract for audit services with Elgee Rehfeld is to conduct audit reports for the CBJ as well as the Juneau School District and Bartlett Regional Hospital and that the findings for all three entities are rolled into one report.

#### **F. NEXT MEETING DATE**

September 6, 2023

#### **G. ADJOURNMENT**

*The meeting was adjourned at 7:23 pm.*